



# Cigarette and Tobacco Products Taxes

*This publication is designed to provide basic information about California's Cigarette and Tobacco Products Tax programs. If you have questions that are not answered in this publication, please contact us at the phone number shown on the reverse.*

Two types of excise taxes are collected on cigarettes and tobacco products distributed in California: 1) the *cigarette tax*, and 2) the *cigarette and tobacco products surtax*.

Each tax is described below, according to the type of product sold.

## Cigarettes

Cigarettes are subject to both the *cigarette tax* and the *cigarette and tobacco products surtax*.

The tax and surtax are paid by distributors through the use of tax stamps, which are purchased from our agency and affixed to each package of cigarettes before distribution. Distributors can be reimbursed for these taxes by the businesses to whom they sell the cigarettes, and the businesses can include the taxes as part of the retail selling price of the cigarettes.

The cost of the stamp includes both the cigarette tax and the surtax. Currently, each stamp costs 87 cents per pack of 20 cigarettes: 12 cents for the cigarette tax and 75 cents for the combined surtax. Distributors are allowed a discount of 0.85 percent for each stamp to help offset their costs for affixing stamps.

## Tobacco products

Tobacco products, not including cigarettes, are subject only to the *cigarette and tobacco products surtax*. Tobacco products include all forms of cigars, smoking tobacco, chewing tobacco, and snuff, as well as other products containing at least 50 percent tobacco. The surtax is paid by tobacco products distributors (see definition in next column).

The surtax rate is determined annually by the Board of Equalization and is equivalent to the combined rate of tax applied to cigarettes. Effective July 1, 2006, through June 30, 2007, the rate is 46.76 percent.

## Who is required to register?

You are required to register if you are either a distributor or a wholesaler of cigarettes or tobacco products in California (see following definitions).

**Cigarette Distributor.** A cigarette distributor is a person who makes the first distribution of cigarettes in this state. Distribution includes the sale of untaxed cigarettes, the use or consumption of untaxed cigarettes, and the placing of untaxed cigarettes into a vending machine or retail store.

**Tobacco Distributor.** A tobacco product distributor is a person who distributes untaxed tobacco products. Distribution includes the sale of untaxed tobacco products, the use or consumption of untaxed tobacco products, and the placing of untaxed tobacco products into a vending machine or retail store.

**Cigarette wholesaler.** A cigarette wholesaler is a person, other than a distributor, who sells stamped cigarettes for resale.

**Tobacco products wholesaler.** A tobacco products wholesaler is a person, other than a distributor, who sells tax-paid tobacco products for resale.

## If I am required to register, what are my filing requirements?

You must first apply to us for a distributor's or wholesaler's license. If you are applying for a distributor's license,

you must post a minimum of \$1,000 security before the license can be issued. If you wish to purchase stamps on a deferred payment plan, you must post security based on 70 percent of the amount of credit requested. There is no security requirement for the wholesaler's license.

All licensed distributors and wholesalers are required to file monthly returns or reports, which are due on or before the 25<sup>th</sup> of the month following the reporting period. Tax returns and reports must be filed even if no distributions were made during the reporting month.

Unless we have approved another location for them, all records must be kept and maintained at the taxpayer's licensed premises in California.

## What if consumers purchase cigarettes or tobacco products outside the state of California?

If consumers purchase cigarettes or tobacco products for their own use from outside the state without paying California excise tax, they are required to pay the tax directly to us. This includes products purchased through the mail, by telephone, or on the Internet, and shipped into California. Consumers also owe the tax if they physically bring tobacco products or more than 400 cigarettes into California. Those purchases are also subject to California use taxes (see publication 112, *Purchases from Out-of-State Vendors*.)

### BOARD OF EQUALIZATION MEMBERS

BETTY T. YEE  
Acting Member  
1st District  
San Francisco

BILL LEONARD  
2nd District  
Sacramento/Ontario

CLAUDE PARRISH  
3rd District  
Long Beach

JOHN CHIANG  
4th District  
Los Angeles

STEVE WESTLY  
State Controller  
Sacramento

RAMON J. HIRSIG  
Executive Director

## Are any transactions not subject to tax?

Yes. The following sales and distributions of cigarettes and tobacco products are not subject to the cigarette tax and the cigarette and tobacco products surtax:

- Sales of cigarettes or tobacco products by the original importer to a licensed distributor if the cigarettes or tobacco products are manufactured outside the United States.  
(Rev. & Tax. Code § 30105)
- Sales of cigarettes or tobacco products by the manufacturer to a licensed distributor.  
(Rev. & Tax. Code § 30103)
- Sales by distributors to common carriers engaged in interstate or foreign passenger service.  
(Rev. & Tax. Code § 30104)
- Sales to United States military exchanges, commissaries, ship's stores, or the Veteran's Administration.  
(Rev. & Tax. Code § 30102)
- Distributions of federally tax-free cigarettes or tobacco products that are under internal revenue bond or customs control.  
(Rev. & Tax. Code § 30102.5)
- An individual shipment of not more than 400 cigarettes personally transported into California.  
(Rev. & Tax. Code § 30106)
- Distributions of cigarettes and tobacco products that cannot be taxed by the state under the U.S. Constitution or laws or under the California Constitution or laws, such as shipments to purchasers in other states, territories, or foreign countries when the cigarette and tobacco products are not to be returned to this state before use.

*Note:* This is a summary. See the applicable Revenue and Taxation Code section for specific requirements to ensure that no taxes are due.

## How are the revenues used?

Ten cents of the cigarette tax is used for the state's General Fund and 2 cents per package goes into the Breast Cancer Fund.

The 25-cent (Proposition 99, November 1988) cigarette and tobacco products surtax is used for the following purposes:

- Tobacco-related health education programs and disease research.
- Medical and hospital care and treatment of patients who cannot afford those services, and for whom payment will not be made by any private coverage or federal program.
- Programs for fire prevention; environmental conservation; protection, restoration, enhancement, and maintenance of fish, waterfowl, and wildlife habitat areas; and enhancement of state and local parks and recreation.

The 50-cent (Proposition 10, November 1998) cigarette and tobacco products surtax is used for programs that encourage proper childhood development, including the development of professional and parental education and training, informed selection of childcare, development and education of childcare providers, and research into the best practices and standards for all programs and services relating to early childhood development.

## For More Information

**Board website and Member contact information:** [www.boe.ca.gov](http://www.boe.ca.gov)

**Information Center:**  
**800-400-7115**

TDD/TTY: 800-735-2929

Representatives are available to help you from 8 a.m. to 5 p.m., Pacific time; M-F, except state holidays.

### Excise Taxes and Fees Division

Call us at 800-400-7115

Or write to us at

Excise Taxes and Fees Division, MIC:56  
State Board of Equalization  
450 N Street  
P.O. Box 942879  
Sacramento CA 94279-0056

### Taxpayers' Rights Advocate

Call toll-free for help with problems you have been unable to resolve at other levels: 888-324-2798.

**Note:** The statements in this fact sheet are general and current as of June 2006. The law and regulations are complex and subject to change. If there is a conflict between this publication and the law or regulations, decisions will be based on the law and regulations.